

Prepared Statement  
of  
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## **Introduction**

Through the provision of expert policy and technical assistance, the Agency for International Development (USAID) is helping to promote U.S. foreign policy goals in the reconstruction of Iraq. USAID activities in Iraq are fully coordinated with the Coalition Provisional Authority and its Administrator, Ambassador Jerry Bremer.

Currently, USAID has 16 long-term, direct hire staff, 64 contract staff, and 60 Iraqi staff in Iraq. Ten of these direct hire staff are located in regional offices outside of Baghdad. Contractors and grantees funded by USAID have over 700 expatriate and 3,000 Iraqi staff, and have a presence in every province.

USAID had staff on the ground in Kuwait from just prior to the assault, and entered Iraq behind our troops to begin programs on **March 31**, 2003 under the Office of Reconstruction and Humanitarian Assistance (ORHA). Thus far, USAID has been assigned management of \$3.8 billion in projects to date, ranging from economic reform and local governance to education and electricity. Our initial contractors deployed during April 2003, and have been effective in their programs for nearly a year.

## **USAID's role in the Iraq Reconstruction**

USAID participated in the contingency planning that occurred in Spring 2003 that led to USAID's being tasked by the Administration to manage \$2.1 billion of the April 2003 Supplemental appropriation. USAID is currently coordinating with CPA on planning activities it will manage with the FY 2004 supplemental funding. Presently, the CPA has directed \$1.7 billion of these new resources to USAID. USAID is coordinating closely with CPA on how to implement

these funds and on the issue of whether USAID will receive and manage further funds from the FY 2004 supplemental.

USAID has eleven contracts for reconstruction through April, but will be scaling back to nine contracts over the summer. (The airport and seaport management contracts will not be renewed, as Iraqi ministries take over operation of the ports.) We have grants to the United Nations (UNICEF, WHO, UNESCO, and WFP), to five U.S. universities, and nine international non-governmental organizations. As conditions improve in Iraq, CPA and USAID would like to see a greater number of non-governmental organizations become active with U.S. funding. Through USAID contractors and grantees, USAID has provided financial support to over 600 Iraqi nongovernmental organizations.

### **The First Year's Assistance**

Reform programs in conflict areas require special handling, and USAID brings years of experience from numerous countries: El Salvador, southern Mexico, Guatemala, Colombia, Peru, Bolivia, Angola, Sudan, Congo, Afghanistan, Philippines, Nepal, West Bank, Sri Lanka, Bosnia and Kosovo.

Five common themes link these experiences, and these themes are applicable to Iraq:

- 1. Avoid a humanitarian disaster.** The United States has done that in Iraq.
- 2. Reactivate food production and markets.** We are assisting the Ministry of Trade to maintain the public ration distribution system, smoothing the importation of food, and working with the Ministry of Agriculture on grain and other food production. Private food markets are functioning.
- 3. Involve the private sector early on.** Economic growth is good for the poor, and agricultural growth is even better for them.
- 4. Link economic development with democratic governance.** Good economic governance boosts economic growth. We are reforming the legal and regulatory framework and promoting a transparent tax system.

## **5. Transparency in government finance and procurements.**

Successful introduction of democracy will require the confidence in the probity of public officials and faith in the equity of public investment.

The USAID role in the first months in the immediate post-conflict environment in Iraq was to work closely with military civil affairs units, doing triage to ensure the greatest civil and governmental stability possible. We were part of ORHA at that point, and our programs aimed at creating conditions that would facilitate the transition from military to civilian governance. In July, ORHA was replaced by the Coalition Provisional Authority.

In large part due to the swiftness and precision of the military campaign, there was little displacement of the population and no humanitarian crisis occurred. During the six months immediately following the war, USAID strongly supported public health activities and emergency food delivery to avoid a potential humanitarian disaster. For example, USAID assisted the World Food Program to deliver 516,000 tons of grain to ensure that the population was fed, and enough medical supplies and equipment for 1 million persons.

### **The Second Supplemental and the PMO**

As it became evident that a longer reconstruction period would be appropriate, CPA and USAID contemplated a change in strategy. Leaving the immediate post-conflict period, CPA and USAID looked towards the economic and governmental reforms that would be necessary to solidify the emerging Iraqi state. These reforms, which we call transitional development, are seen as key in foreign assistance programs in a wide range of countries large and small. We see these economic and governmental reforms as a significant part of the exit strategy for our soldiers as a provisional Iraqi government is increasingly able to manage its own affairs.

With the establishment of the Coalition Provisional Authority in July 2003, USAID prepared a two-year program to extend the reconstruction program beyond post-conflict triage. The CPA in Baghdad is the lead in planning and directing the reconstruction. Presently, USAID-managed activities are approved by CPA and then funded by the

Project Management Office (PMO). USAID is presently working in four areas of concentration:

- Infrastructure repair: We have worked in partnership with civil affairs troops, as well as with the Army Corps of Engineers and CJTF-7.
  - Commerce was restored as three major bridges linking the country's highways were repaired.
  - Electricity was restored to pre-conflict levels in six months.
  - Wired telephone service was restored.
  - The country's deep-water port at Umm Qasr now has 50 ocean-going ships a month docking with grain and other goods after USAID had the port dredged and removed shipwrecks left since the 1980-1988 Iran-Iraq War.

Education and health. USAID worked with CPA officials to maintain these important sectors:

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- 8.7 million math and science textbooks in Arabic and Kurdish have been distributed.
    - 32,000 teachers have been trained to teach children to think instead of merely memorize.
    - 2,300 schools have been renovated
    - Health teams now vaccinate 40,000 children per month.
  - Governance: USAID has worked with State Department officials and a wide array of CPA staff in laying the foundations for Iraq governance.
    - USAID assisted civil affairs troops and CPA officials to quickly set up Local governments in Iraq's cities and its 18 governorates. Generally seen by citizens as legitimate, the men, women, clerics, businessmen and others on the councils learned to work together, compromise and spend small budgets on traffic, street lights, clinics, schools, police, computers, trash and other local issues.
    - Ministries were quickly up and running despite post-war looting. The Agency's Office of Transition Initiatives provided "ministries in a box" and set up 100 officials in each ministry with desks, chairs, and computers.
    - Women's rights have been helped and women's centers are being opened. Women voters and candidates were escorted to the local council elections. War widows

and women's unemployment are being addressed.

Economic growth: USAID continues to work with both State Department and Treasury officials in economic reform maintain financial stability was created.

- USAID assisted CPA's program to replace the Iraqi dinar with Saddam's portrait with new dinars that brought the country together.
- The central bank was put back on its feet with a financial management information system that will help the IMF and World Bank to begin programs in 2004.
- The public food distribution system was kept operating so there was no hunger. USAID sent 516,000 tons of grain and provided logisticians to help CPA keep the system moving.

### **Project Management and Oversight**

Under the initial Emergency War-time Supplemental in FY 2003, USAID obligated approximately \$2.1 billion of the \$2.475 billion appropriated for the Iraq Relief and Reconstruction Fund in support of U.S. efforts to rebuild Iraq after the war.

During this initial period, USAID awarded contracts for personnel support, airports, seaports, reconstruction, education, health, local governance, economic growth and agriculture. Based on the need to act quickly following the end of active hostilities, we chose to do a limited competition for most of the initial awards. Although the vast majority of USAID's procurements are conducted using fully competitive procedures, the federal acquisition regulations grant the Administrator the authority to waive normal contracting procedures by making a written determination "that compliance with full and open competitive procedures would impair foreign assistance objectives, and would be inconsistent with the fulfillment of foreign assistance programs."

Under the second Iraq supplemental, USAID was the first agency to make an award in support of the continuing efforts in Iraq, with a \$1.8 billion contract to Bechtel for infrastructure support utilizing full and open competition. The award was made under ideal contracting circumstances in that the highest technical scored proposal also was the lowest cost proposal submitted.

Although very proud of our efforts in supporting U.S. goals in Iraq, these efforts have not been accomplished without some difficulties. The urgency of these actions made for difficult and challenging circumstances. We have been very creative in trying to meet the personnel requirements that would normally be needed for this large an undertaking. However, a review of the numerous audits performed by our Inspector General's (IG) Office will show that USAID followed federal procurement rules and regulations in the award of these contracts, with minor exceptions. The IG audit report also pointed out things we could have done better to strengthen our procurements, particularly in the area of additional documentation. Many of the suggestions have already been implemented. USAID's Office of Procurement and the Bureau for Asia and the Near East have a good working relationship with the Office of Inspector General and will continue to work closely with this office to ensure compliance with all relevant regulations.

USAID has remained as open and transparent as possible in our procurement process. We have made very serious efforts to make available virtually everything we legally can on our web site. Steven L. Schooner, Associate Professor of Law at George Washington University Law School, recently wrote at a Government Contracts Year in Review conference that USAID "...has endeavored (for the most part successfully) to provide information relating to its contracting activities on its web page." He goes on to say that, "...I believe that USAID has set a new standard for transparency in public procurement." This is exactly the kind of open and transparent agency USAID is striving to be. We will continue to expand our efforts to meet the very high standard we have set for ourselves.

Given the large increases in our budget with Iraq (and Afghanistan) and beginning in FY 2004, USAID has gone from an annual obligation of just over \$6 billion in 2001 to approximately \$12 billion in 2003. While we have been very successful in making the critical awards, we are also doing everything we can to assure that the taxpayers of this country are receiving value for their expenditures. This includes moving U.S. direct-hire staff to Iraq to oversee the contracts as well as hiring senior contracting talent to help administer these awards. We are also requesting support from the IG's office and audit support from the Defense Contract Audit Agency to make sure that funds are

being spent appropriately and accounted for properly. As such, this is an area that we will want to monitor very closely over the coming months and years.

## **Conclusion**

USAID has proven itself up to the demanding task of supporting the gains made by our troops in Iraq and laying a foundation for governmental and economic transformation. We have successfully managed an enormous sum of public funds in a broad range of politically and socially activities. Our assistance programs have been timely in initiation and technically apt to the evolving demands of situation. We are prepared to continue this level of effort through the duration of the reconstruction period.